

Message Text

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12

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 SAJ-01 /094 W

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R 062047Z NOV 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 6543

INFO AMEMBASSY BANGKOK

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMCONSUL HONG KONG

AMEMBASSY BUDAPEST

AMEMBASSY MANILA

USMISSION NATO

USLO PEKING

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY TOKYO

AMEMBASSY WARSAW

C O N F I D E N T I A L MOSCOW 16073

E.O. 11652 XGDS-4

TAGS: ETRD, EFIN, EALR, VN, UR, CH, COMECON

SUBJECT: PROBABLE EXPANSION OF NORTH VIETNAM'S RELATIONSHIP
WITH CEMA

REF: MOSCOW 15907

1. SUMMARY - SOVIET ECONOMIST HAS STATED THAT AS A RESULT OF
AGREEMENTS REACHED DURING THE CURRENT VISIT OF NORTH VIETNAMESE
PARTY LEADER LE DUAN TO MOSCOW, THE DRV WILL HAVE A MORE ACTIVE
RELATIONSHIP WITH THE COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE
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(CEMA). THIS WILL INCLUDE ECONOMIC PLAN COORDINATION WITH CEMA

MEMBER COUNTRIES, PARTICIPATION IN SOME CEMA PERMANENT COMMISSIONS, AND CEMA MULTILATERAL AID PROJECTS IN NORTH VIETNAM. PORTIONS OF THE CEMA MULTILATERAL AID WILL BE FINANCED UNDER SOVIET CREDIT RECENTLY ANNOUNCED IN PRESS. TECHNICALLY THE DRV WILL CONTINUE TO HAVE OBSERVER AND NOT FULL MEMBERSHIP STATUS IN CEMA, BUT ITS MORE ACTIVE ROLE WILL BE SIMILAR TO THAT MAINTAINED BY YUGOSLAVIA 2#8:# 8 -) 9 -, 9B SERVER. EMBASSY EVALUATES THIS DEVELOPEMNT AS LOGICAL MOVE BY SOVIETS TO EXPAND ECONOMIC PRESENCE IN DRV THROUGH AN ECONOMIC GROUP CONTROLLED BY THEM BUT WHICH THEY ACTIVELY PROMOTE AS AN "INTERNATIONAL ORGANIZATION". END SUMMARY

2. ON NOVEMBER 5 EMBOFF ASKED A SENIOR ECONOMIST IN MOSCOW'S INSTITUTE FOR WORLD SOCIALIST ECONOMY ABOUT A RECENT REPORT (LAUNCHED BY PRC EMBASSY ECONOMIC OFFICER HUI-CHUAN PAI) THAT NORTH VIETNAM WILL SOON BECOME A FULL MEMBER OF CEMA. THE ECONOMIST, WHO IS A SPECIALIST IN CEMA AFFAIRS AND HAS BEEN AN INFORMED AND RELIABLE SOURCE ON CEMA MATTERS OVER PAST YEAR, REPLIED THAT ALTHOUGH NORTH VIETNAM WILL NOT HAVE FULL MEMBERSHIP, ITS RELATIONSHIP WITH CEMA ORGANIZATION HAS NOW CHANGED. UNTIL LAST SEVERAL WEEKS, HE SAID, NORTH VIETNAM HAD LIKE NORTH KOREA, BEEN MERELY AN OBSERVER AT MAJOR CEMA MEETINGS, USUALLY REPRESENTED BY AMBASSADOR OR OFFICER OF DRV EMBASSY IN MOSCOW. AS RESULT OF UNDERSTANDINGS REACHED DURING LE DUAN VISIT, HOWEVER, NORTH VIETNAMESE RELATIONSHIP WITH CEMA WILL NOW INVOLVE:

(A) FULL COORDINATION OF DRV ECONOMIC PLANS WITH THAT OF CEMA-MEMBER COUNTRIES IN ACCORDANCE WITH STANDARD CEMA PROCEDURES. AT PRESENT THIS WILL BE MAINLY IN FOREIGN TRADE SECTOR.

(B) PARTICIPATION IN SOME OF THE CEMA PERMANANT COMMISSIONS WHOSE ACTIVITIES COULD HELP DRV IN ITS RECONSTRUCTION AND DEVELOPMENT. TWO POSSIBILITIES ARE THE COMMISSIONS FOR ELECTRIC POWER, AND FOR RAILWAYS.

(C) MULTILATERAL CEMA AID PROJECTS. PREVIOUSLY, AND FROM THE USSR AND EAST EUROPEAN CEMA COUNTRIES HAS BEEN ON BILATERAL BASIS. NOW A PORTION OF IT WILL BE MULTILATERAL AND ADMINISTERED UNDER CEMA FRAMEWORK. SOME OF THESE MULTILATERAL PROJECTS WILL BE FINANCED UNDER THE RUBLE CREDIT WHICH NORTH VIETNAM HAS JUST RECEIVED FROM THE SOVIET UNION.

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3. WHEN ASKED, SOURCE AGREED THAT THIS "NEW RELATIONSHIP" WILL BE IN DIRECTION OF THAT WHICH YUGOSLAVIA HAS HAD WITH CEMA IN RECENT YEARS AND WHICH INVOLVES ACTIVE PARTICIPATION IN CEMA ORGANIZATIONS AT VARIOUS LEVELS, COORDINATION IN CERTAIN ECONOMIC SECTORS, ATTENDANCE AT ALMOST ALL CEMA MEETINGS, AND LINKS WITH SOME OF THE CEMA FINANCIAL INSTITUTIONS. IT WOULD NOT, HE SAID, BE SO EXTENSIVE BECAUSE "VIETNAM IS A SMALL COUNTRY AND NOT AS

DEVELOPED AS YUGOSLAVIA." SOURCE ADDED GRATUITOUS COMMENT THAT "OF COURSE THE CHINESE WILL NOT LIKE THIS, BUT WE ARE NOT CONCERNED."

4. COMMENT - AN AGREEMENT ON DRV PLAN COORDINATION WITH USSR AND EXTENSION OF A SOVIET CREDIT (AMOUNT NOT STATED) HAVE ALREADY BEEN ACCOUNCED IN SOVIET PRESS (REFTEL). IN ADDITION, THE REPORTED ARRANGEMENT FOR AN EXPANDED NORTH VIETNAMESE RELATIONSHIP WITH CEMA APPEARS TO THE EMBASSY AS A LOGICAL MOVE FOR THE SOVIETS TO MAKE.

5. PARALLEL WITH DIRECT SOVIET ECONOMIC LINKS WITH THE DRV, AN EXPANSION OF CEMA ACTIVITY WILL PERMIT FURTHER SOVIET PRESENCE, THROUGH AN ORGANIZATION TIGHTLY CONTROLLED BY MOSCOW BUT WHICH CLAIMS TO HAVE A MUCH BROADER FOCUS. THE CEMA "IMAGE" WHICH HAS BEEN DEFTLY PROMOTED BY THE SOVIETS OVER THE PAST SEVERAL YEARS IS THAT OF AN "INTERNATIONAL ECONOMIC ORGANIZATION", AN ECONOMIC BLOC OF "SOCIALIST COUNTRIES" WHICH IS ACCREDITED AS AN OBSERVER TO THE UNGA AND UN REGIONAL ORGANIZATIONS, HAS CONCLUDED AGREEMENTS WITH THIRD WORLD COUNTRIES AND IS CURRENTLY ENGAGED IN A DIALOGUE WITH THE COMMON MARKET. THE TWO CEMA BANKS ARE RAPIDLY GAINING STATUS IN THE INTERNATIONAL FINANCIAL WORLD AND THE CEMA ONE-BILLION RUBLE FUND (NOT FULLY SUBSCRIBED) FOR DEVELOPING COUNTRIES REMAINS UNTOUCHED BUT AVAILABLE.

6. UNDER THE CIRCUMSTANCES, THE IRRITATION OF CHINESE ECONOMIC OFFICER HUI-CHUAN PAI, AND THAT OF HIS GOVERNMENT, REGARDING A BETTER DRV RELATIONSHIP WITH CEMA, IS UNDERSTANDABLY SEVERE, SOMETHING WHICH THE SOVIETS PROBABLY REGARD AS A BONUS.
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